

# **“ VEF “ JSC**

**2006 31.03.**

**Financial statements**

“VEF” JSC

**BALANCE SHEET**  
**As of MARCH 31, 2006**

	<b>Comm.</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>Nr.</b>	<b>31.03</b>	<b>31.03</b>	<b>31.03</b>	<b>31.03</b>
<b>ASSETS</b>		<b>LVL</b>	<b>LVL</b>	<b>EUR</b>	<b>EUR</b>
<b>Long-term investments</b>					
<b>Intangible assets</b>					
Concessions, patents, licences		93	98	132	139
<b>Total intangible assets</b>		<b>93</b>	<b>98</b>	<b>132</b>	<b>139</b>
<b>Fixed Assets</b>					
Land, buildings and other property		3609942	1632052	5136485	2322214
Equipment and machinery		61951	44224	88148	62926
Other fixed assets and inventory		9896	10722	14081	15256
Construction in progress		335062	895304	476750	1273910
<b>Total fixed assets</b>		<b>4016851</b>	<b>2582302</b>	<b>5715464</b>	<b>3674306</b>
<b>Long-term financial investments</b>					
Other securities and investments			3200		4553
<b>Total long-term financial investments</b>			<b>3200</b>		<b>4553</b>
<b>Total long-term investments</b>		<b>4016944</b>	<b>2585600</b>	<b>5715596</b>	<b>3678998</b>
<b>Current assets:</b>					
<b>Inventory</b>					
Materials			675		961
Goods for sale		13388	13685	19049	19472
<b>Total inventory</b>		<b>13388</b>	<b>14360</b>	<b>19049</b>	<b>20433</b>
<b>Debtors</b>					
Other debtors		251008	279702	357152	397982
Future period expenses		5852	2566	8327	3651
Accrued income					
<b>Total debtors</b>		<b>256860</b>	<b>282268</b>	<b>365479</b>	<b>401633</b>
<b>Cash</b>		<b>109620</b>	<b>18509</b>	<b>155976</b>	<b>26336</b>
<b>TOTAL CURRENT ASSETS:</b>		<b>379868</b>	<b>315137</b>	<b>540504</b>	<b>448402</b>
<b>TOTAL ASSETS:</b>		<b>4396812</b>	<b>2900737</b>	<b>6256100</b>	<b>4127400</b>

“VEF” JSC

**BALANCE SHEET**  
**As of MARCH 31, 2006**

	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>31.03</b>	<b>31.03</b>	<b>31.03</b>	<b>31.03</b>
	<b>Comm</b>			
	<b>. Nr.</b>			
<b>LIABILITIES AND NET WORTH</b>	<b>LVL</b>	<b>LVL</b>	<b>EUR</b>	<b>EUR</b>
<b>Stockholder's Equity</b>				
Common stock	1829908	1829908	2603724	2603739
Long-term investments revaluation reserve	432868	432868	615916	615919
Accumulations				
Other accumulations	586037	586037	833855	833860
<b>Total accumulations</b>	<b>586037</b>	<b>833856</b>	<b>586037</b>	<b>833623</b>
Retained earnings from the previous years	-1556132	-1567692	-2214176	-2230637
Retained earnings of the financial year	4703	-4017	6692	-5716
<b>Total stockholder's equity</b>	<b>1297384</b>	<b>1277104</b>	<b>1846011</b>	<b>1817165</b>
<b>Liabilities</b>				
<b>Long-term liabilities</b>				
Borrowings from credit institutions	2617367	1534947	3724178	2184045
Other loans		8602		12240
Prepayments from buyers	27733		39460	
Other liabilities	227561		323790	
<b>Total long-term liabilities</b>	<b>2872661</b>	<b>1543549</b>	<b>4087428</b>	<b>2196285</b>
<b>Current liabilities</b>				
Other loans		22850		32513
Prepayments from buyers		15230		21670
Accounts payable	196986	369	280286	525
Taxes and social security payments		3491		4967
Other liabilities	4109	4365	5847	6211
Future period income	25672	33779	36528	48064
<b>Total current liabilities</b>	<b>226767</b>	<b>80084</b>	<b>322661</b>	<b>113950</b>
<b>Total liabilities</b>	<b>3099428</b>	<b>1623633</b>	<b>4410089</b>	<b>2310235</b>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<b>4396812</b>	<b>2900737</b>	<b>6256100</b>	<b>4127400</b>

**G. Feņuks** \_\_\_\_\_  
Chairman of the board of directors

“VEF” JSC

**PROFIT AND LOSSES ACCOUNT  
FOR YEAR, WHICH ENDS ON MARCH 31,2006.**

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	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
<b>Comm</b>	<b>31.03</b>	<b>31.03</b>	<b>31.03</b>	<b>31.03</b>
<b>. Nr.</b>	<b>LVL</b>	<b>LVL</b>	<b>EUR</b>	<b>EUR</b>
Net turnover	163630	71924	232825	102339
Cost of goods sold	-94307	-56470	-134187	-80350
<b>Gross profit</b>	<b>69323</b>	<b>15454</b>	<b>58638</b>	<b>21989</b>
Selling expenses				
Administrative expenses	-19877	-15960	-28282	-22709
Other income from operations	4333	178042	6165	824
Other expenses from operations	-360	-579	-512	-820
Income from long-term securities and loans				
Financial services income	93	79	132	112
Long-term financial investments and short-term securities value depreciation				
Financial services expenses	-40981	-211	-58311	-300
<b>Profit before taxes</b>	<b>12531</b>	<b>-1217</b>	<b>17830</b>	<b>-1732</b>
Other taxes	-7828	-2800	-11138	-3984
<b>Net profit</b>	<b>4703</b>	<b>-4017</b>	<b>6692</b>	<b>-5716</b>

**G. Fenuks** \_\_\_\_\_  
**Chairman of the board of directors**

“VEF” JSC  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR YEAR, WHICH ENDS ON MARCH 31, 2005.**

	<b>Fixed capital</b>	<b>App.</b>	<b>31.03.2006</b>	<b>31.03.2005</b>	<b>31.03.2006</b>	<b>31.03.2005</b>
	<b>LVL</b>		<b>LVL</b>	<b>LVL</b>	<b>EUR</b>	<b>EUR</b>
<b>Stockholder's equity</b>						
	Balance at the beginning of the financial year		1829908	1829908	2603724	2603739
	Increase from					
	Decrease from					
	Balance at the end of the financial year		1829908	1829908	2603724	2603739
<b>Long-term investments revaluation reserve</b>						
	Balance at the beginning of the financial year		432868	432868	615919	615919
	Increase from					
	Decrease from					
	Balance at the end of the financial year		432868	432868	615916	615919
<b>Accumulations</b>						
	Balance at the beginning of the financial year		586037	586037	833855	833860
	Increase from					
	Decrease from					
	Balance at the end of the financial year		586037	586037	833855	833860
<b>Retained earnings</b>						
	Balance at the beginning of the financial year		-1556132	-1567692	-2214176	-2230637
	Profit or losses of the financial year		4703	-4017	6692	-5716
	Dividends					
	Included in accumulations					
	Balance at the end of the financial year		-1551429	-1567692	-2214176	-2230637
<b>Stockholder's equity (total)</b>						
	Balance at the beginning of the financial year		<b>1292681</b>	<b>1281121</b>	<b>1839319</b>	<b>1822881</b>
	Balance at the end of the financial year		<b>1297384</b>	<b>1277104</b>	<b>1846011</b>	<b>1817165</b>

**G. Fenuks** \_\_\_\_\_  
**Chairman of the board of directors**

“VEF” JSC  
**CASH FLOW STATEMENT**  
**FOR YEAR, WHICH ENDS ON MARCH 31, 2006.**

	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>31.03</b>	<b>31.03</b>	<b>31.03</b>	<b>31.03</b>
	<b>LVL</b>	<b>LVL</b>	<b>EUR</b>	<b>EUR</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>				
Profit before outstanding items and taxes (+); losses (-)	12531	-1217	17830	-1732
<b>Adjustments:</b>				
Fixed assets depreciation (+)	14835	9167	21109	13044
Intangible assets depreciation (+)				
Profit or losses from exchange rates' fluctuation (-/+)				
Income from long-term securities and loans	93	79	132	122
Financial services income	-219	-312	-9955	-14161
Long-term financial investments and short-term securities value depreciation				
Financial services expenses	-40981	-211	-58311	-300
Depreciated cost of fixed assets sold				
Income from fixed assets sell				
<b>Profit or losses before adjustments from current assets and liabilities</b>	<b>-13522</b>	<b>7818</b>	<b>-19240</b>	<b>11124</b>
<b>Adjustments:</b>				
Debtors: increase (-); decrease (+)	25408	25025	36152	35607
Inventory: increase (-); decrease (+)	972		1383	
Liabilities: increase (+); decrease (-)	1475795	75540	2099867	107484
<b>Gross cash provided by operating activities</b>	<b>1488653</b>	<b>108383</b>	<b>2118162</b>	<b>154215</b>
Payments for financial services	-40981	-211	-58310	-300
Income tax payments				
<b>Net cash provided by operating activities before outstanding items:</b>	<b>1447672</b>	<b>108172</b>	<b>2059852</b>	<b>153925</b>
Cash flow from outstanding items (-/+)				
<b>Net cash provided by operating activities:</b>	<b>1751894</b>	<b>2492721</b>	<b>1039591</b>	<b>1478792</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Fixed assets purchase	-1257502	-190943	-1789264	-271687
Income from fixed assets sell				
Interest received	93	79	132	112
Dividends received				
<b>Net cash used in investing activities:</b>	<b>-1257409</b>	<b>-190864</b>	<b>-1789132</b>	<b>-271575</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
<b>ACTIVITIES:</b>				
Income from investments in fixed capital				
Borrowings received				
Grants and donations received				
Expenses for borrowings repayment	-99152		-141081	
<b>Net cash provided by financing activities:</b>	<b>-99152</b>		<b>-141081</b>	
<b>Exchange rate fluctuation result:</b>				
<b>Net cash flow</b>	<b>91111</b>	<b>-82692</b>	<b>129639</b>	<b>-117660</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>18509</b>	<b>101201</b>	<b>26336</b>	<b>143996</b>
<b>CASH AT END OF YEAR</b>	<b>109620</b>	<b>18509</b>	<b>155975</b>	<b>26336</b>

**G. Feņuks**  
**Chairman of the board of directors**

“VEF” JSC

**FINANCIAL STATEMENTS' APPENDIXES  
FOR YEAR, WHICH ENDS ON MARCH 31, 2006.**

**1. ACCOUNTING AND ASSESSMENT METHODS – COMMON PRINCIPLES**

***Basis for financial statements preparation***

Financial statements are being prepared in compliance with Latvian laws “On bookkeeping” and “On the Annual Accounts of Undertakings”.

Profit and losses account is prepared according to the turnover method. Accounting policy provides the financial statements give information that is appropriate for their users to make decisions and conclusions. The policy is reliable. The financial statements correctly reveal the financial condition and operating results of the company – showing not only legal side of transactions, but also their economical matter, and are complete in all essential aspects.

***Accounting principles used***

The items of the financial statements are valued according to the following accounting principles:

- a) it is assumed that the company will operate in the future;
- b) assessment methods used are the same as used in the previous financial year;
- c) assessment is made with mere caution:
  - only profit earned before the date of the annual report is included in the financial statements
  - all projected risk amounts and losses that appeared in the financial year or in the previous years are taken into account, even those which became known in the period of time between the date of the annual report and the day when the financial statements are drawn up
  - all value decreases and depreciation amounts are calculated and taken into account, regardless of the financial year result (profit or losses)
- d) revenues and expenditures connected with the financial year are taken into account, regardless of payment date and invoice receiving or writing out date;
- e) assets and liabilities and net worth items have been assessed independently;
- f) the initial balance sheet of the financial year coincides with the previous financial year final balance sheet;
- g) all items that have an essential influence on the financial statements' users evaluation or decision taking have been taken into account, non-significant items have been combined and they are shown in details in the appendixes to the financial statements;
- h) business operations during the financial year are shown by their economical content and nature instead of their legal form.

***Financial year***

Financial year is 03 months, from 01.01.2006 to 31.03.2006

***Money and foreign currency revaluation***

Amounts shown in these financial statements are in Latvian national currency – lats (LVL).

All monetary assets and liabilities are recalculated to lats, using the official exchange rate of the Latvian Bank that is set on the last day of the financial year.

“VEF” JSC  
**FINANCIAL STATEMENTS’ APPENDIXES  
FOR YEAR, WHICH ENDS ON MARCH 31, 2006.**

***Long-term and short-term items***

Long-term items include amounts, whose receiving, discarding or payment terms become due more than 1 year after the end of the respective financial year. Amounts that are due to be received, paid or discarded during the next year, are included in short-term items.

***Fixed assets and nonmaterial investment depreciation***

Fixed assets and non-material investments are shown by purchase price minus depreciation. Depreciation is calculated on the straight-line basis, using as a basis the following rates:

<b>Fixed assets</b>	
Property	1%
Equipment and machinery	20%
Other fixed assets	25%

***Income tax***

Income tax for the financial year consists of calculated tax and deferred tax. Income tax is included in the profit and losses account.

Income tax for the financial year is calculated according to the law” On the income tax of Undertakings”, determining taxable income and using 15% rate, set by the law.

Deferred income tax is calculated for the difference between assets and liabilities value in the financial statements and assets and liabilities value for tax purposes. Deferred income tax is calculated using 15% rate, set by the law. The above-mentioned difference mainly comes from the different fixed assets depreciation rates used in the financial and tax accounting. Increase of provisions for bad receivables is not taken into account, calculating deferred income tax, due to mere caution principle.

***Kredit line***

There is a credit line opened in JSC “SEB Latvijas Unibanka”. It is included in the long-term liabilities and the balance at the end of the financial year is 2 617 367 LVL (3 724 178 EUR).